

Audit Committee – 29 September 2023

Title of paper:	Statement of Accounts Progress Update	
Director(s)/ Corporate Director(s):	Ross Brown, Corporate Director of Finance and Resources and Section 151 Officer Shabana Kausar, Director of Finance and Deputy S151 Officer	Wards affected: All
Report author(s) and contact details:	Shabana Kausar, Director of Finance and Deputy S151 Officer	
Other colleagues who have provided input:	Jean Stevenson, Interim Finance Team Leader – Technical Finance	
Does this report contain any information that is exempt from publication?	Yes	
Recommendation(s):	<p>1. To note the current position with the Statement of Accounts for the years 2019/20 through to 2022/23</p>	

1. Reasons for recommendations

- 1.1 As the Audit Committee is responsible for approving the audited accounts, this report looks to provide a formal update on the progress the Council is making with its statement of accounts relating to 2019/20 to 2022/23.

2. Background (including outcomes of consultation)

- 2.1 As previously reported, most recently to the July meeting of the Committee, the Council experienced delays with the audit of its 2019/20 accounts due to issues with property valuations for specialist assets and with subsidiary company figures required for group accounts. It currently has three sets of accounts that should have already been published with audit opinions. The Improvement and Assurance Board (IAB) has issued a directive that the outstanding issues with these accounts should be resolved by 30 September 2023.
- 2.2 The Council's 2018/19 Statement of Accounts were approved by the Audit Committee on 26 March 2021 for which Grant Thornton issued their audit opinion on the same day enabling the accounts to be formally published. These accounts were due to be published by 30 September 2019 but were delayed due to a conclusion being reached with regards to the value for money reported at the same meeting.
- 2.3 Grant Thornton originally commenced audit work on 2019/20's accounts in 2020 after work on the 2018/19 Statements concluded, but they decided to withdraw in early 2021 to allow the Council to amend the draft for a number of emerging issues including the need to obtain valuations for specialist assets and to finalise figures for a former subsidiary company which was in administration.

3. Accounts Progress

- 3.1 The Council have recruited additional temporary staffing resources to support the Technical Finance team with the production of accounts, with the additional team members joining through June 2023. Revisions were made to the 2019/20 accounts to incorporate the revised valuation information for specialist assets, to amend group accounts, to adjust for issues with the Housing Revenue Account and to address other issues identified during the audit.
- 3.2 Appendix 1 provides a detail progress against each year whilst the table below provides a summary overview of both the expected position to end of September 2023 and current position at the end of August 2023 in resolving audit queries with regards to accounting years 2019/20 to 2022/23.

Table1: Expected Progress of Resolving Audit Queries to end of September 2023

Financial Year	Audit Queries	Progress as at 31 August 2023	Expected Progress to end of September 2023
2019/20	All requests received to end of April have been responded to by the Council. The Council is actively responding to new requests received in August but requires input from the external valuations' specialist. Revised draft accounts submitted to Grant Thornton on 5 July 2023 incorporating all identified changes at that time.	99%	100%
2020/21	Audit not yet commenced. Revised draft accounts in production. Was expected to be completed by mid-August 2023, but now expected to be completed by early/mid-September.	85%	100%
2021/22	Audit not yet commenced. Draft accounts for publication were expected to be ready by 30 September 2023 but are now anticipated to be ready in early/mid October.	25%	60%
2022/23	Audit not yet commenced. Draft accounts are expected to be ready by mid-December 2023.	0%	0%

3.3 Additional Audit queries since submission of 2019/20 Draft Accounts on 5 July 2023

- 3.3.1 Due to NHS audit work and other commitments, Grant Thornton were unavailable to resource the Council's 2019/20 audit work until mid-August 2023. Upon their review of the updated 2019/20 draft accounts (which reflected resolution of all outstanding queries by the Council), new queries were raised. These new queries primarily required response from the Council's external property valuers. Where the answers

can be provided directly by the Finance Team, prompt responses have so far been actioned.

- 3.3.2 Due to incorrect floor areas used in calculating the originally values for some of the specialist assets, a prior period adjustment to the 2018/19 Property, Plant and Equipment (PPE) valuations has been agreed with Grant Thornton towards the end of August 2023. The incorrect data provided for the valuation is due to combination of poor in-house record keeping and staff turnaround in property services. In addition to the incorrect data, the audit queries raised also found the quality of work with regards to the third-party valuer was also a contributing factor.
- 3.3.3 The calculations have now been reviewed and revised as necessary for 66 assets as at 1 April 2018 and 31 March 2019 and as the new adjustment impact the balance sheet a third balance sheet will be required to be added to the 2019/20 statement reflecting the revision to the 2018/19 opening balances. These had previously been reviewed by Grant Thornton and corrected for 31 March 2020 values.

3.4 2019/20 Additional Audit Queries Impact on Timetable

- 3.4.1 Combination of work to the prior period adjustment and dealing with additional queries being raised by Grant Thornton has impacted on the progress being made over the last three weeks of August and into September. The volume of additional queries and clarification questions have been greater than anticipated. This has compromised the team's ability and impacted delivery of activities against the timetable which was aiming to produce a draft Statement of Accounts for 2021/22 by 30 September 2023. In addition, it is not yet known whether the outstanding queries with the external valuer may result in further changes to the 2019/20 figures for PPE, advice from Grant Thornton is that there is a possibility of similar queries leading to amendments at other clients.

3.5 Public Inspection Requirements

- 3.5.1 Periods of public inspection are a legal requirement. The accounting records have to be open to members of the public for a period of 30 working days under the Accounts and Audit Regulations. This period will still need to be observed for all outstanding years except for 2019/20 which was open from 1 September 2020 to 12 October 2020 inclusive.

3.6 Risk Assessment

- 3.6.1 The Finance team have been working diligently to meet the direction from the IAB to resolve all known issues for 2019/20, 2020/21 and 2021/22 accounts by 30 September 2023. Following the additional queries received from Grant Thornton in August, there is now a real risk that the finance team will not be able to produce draft accounts for 2021/22 by end of September 2023, therefore not meeting the direction completely. The non-delivery of the direction is not due to the finance team not being able to resolve audit queries but due to the fact that new queries are emerging as Grant Thornton review the revised set of 2019/20 accounts and responses to their earlier queries.
- 3.6.2 As set out above good progress towards meeting the objective has been made with ledgers for 2019/20 and 2020/21 now updated except for entries for the prior period adjustment which are being quickly resolved. The draft accounts document for 2019/20 was delivered to Grant Thornton in July and is now being further revised for the prior

period adjustment. The update to the draft accounts document for 2020/21 is approaching completion.

- 3.6.3 The next step will be to resolve issues in the 2021/22 general ledger and process final journal entries and produce draft accounts document which may not be in a format ready for publication until early/mid October.

4. Finance colleague comments (including implications and value for money/VAT)

- 4.1 The scale fees paid to the External Auditor are set by Public Sector Audit Appointments and are as follows:

	£
2019-20	132,531
2020-21	132,531
2021-22	141,531
2022-23	141,531

- 4.2 In addition, Grant Thornton indicated in their Audit Plan for 2019-20 brought before the Audit Committee at their meeting on 28 February 2020 that there would be additional fees of £27,350 to be paid. Recent discussions between the Council, Public Sector Audit Appointments and Grant Thornton have resulted in the additional fees being increased to £92,350 to reflect the issues encountered through the audit.

5. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

- 5.1 None.

6. Published documents referred to in this report

- 6.1 None.

Appendix 1 – Statement of Accounts Progress for Years 2019/20, 2020/21, 2021/22 and 2022/23

Accounts Progress as at end of August 2023

Year	Accounts Publication		Ledger	As Previously Reported in July 2023				Actual position as at 31 August 2023							
	Original Audited Accounts publication date ¹	Current position		Progress	Status	production	of	draft accounts	Progress (%)	Progress	Status	production	of	draft accounts	Progress (%)
2019/20	30 November 2020	Draft published 28 August 2020 <i>Public inspection completed</i>	All required entries input by 30 June 2023, but further entries being processed for prior period adjustment following new audit queries/work.	Audit Queries Status: All requests received to end of April have been responded to by the Council.				100%	Audit Queries Status: All requests received to end of April were all responded by the Council and updated accounts submitted on 5 July 2023. The Council is actively responding to new requests received in August which require input from the external valuations' specialist.				99% (further changes being finalised so adjusted down from 100%)		
				Accounts Progress: Resolved all queries and produced draft statement of accounts					Accounts Progress: Further changes are now being made because of a second Prior Period Adjustment being required by Grant Thornton for PPE.						
				Draft Accounts Submission: Revised Draft Accounts prepared and submitted to Grant Thornton on 5 July 2023 incorporating all identified changes required					Draft Accounts Submission: Revised draft accounts submitted to Grant Thornton on 5 July 2023 incorporating all identified changes at that time. An updated set of statement of accounts required to be completed following resolution of new Audit queries received in August 2023.						

¹ per Accounts & Audit Regulations

Appendix 1 – Statement of Accounts Progress for Years 2019/20, 2020/21, 2021/22 and 2022/23

Year	Accounts Publication		Ledger	As Previously Reported in July 2023			Actual position as at 31 August 2023						
	Original Audited Accounts publication date ¹	Current position		Progress	Status	production of draft accounts	Progress (%)	Status	production of draft accounts	Progress (%)			
2020/21	30 November 2021	Unsigned draft published 30 July 2021 <i>Public inspection not yet opened</i>	Ledger entries were completed by mid-August 2023 but need to be reviewed in light of PPA adjustments in previous year.	Audit Queries Status: Audit not yet commenced but impact of queries from 2019/20 being reflected in 2020/21 accounts		Audit Queries Status: Audit not yet commenced. Accounts Progress: Revised draft accounts in production and expected to be completed by mid-August 2023	60%	Audit Queries Status: Audit not yet commenced.		85%			
				Draft Accounts Submission: Expected to be produced by mid-August 2023.				Accounts Progress: Revised draft accounts in production. Was expected to be completed by mid-August 2023, but now expected to be completed by early/mid-September 2023.					
				Draft Accounts Submission: Expected to be produced by mid/late September 2023				Draft Accounts Submission: Expected to be produced by mid/late September 2023					
2021/22	30 September 2022	No draft yet produced <i>(was due 30 July 2022)</i>	Ledger entries were to be made by end of August 2023, but Fixed Asset entries not yet input due to additional audit queries resulting in further work required on 2019/20. Now expected to be completed by mid-September 2023.	Audit Queries Status: Audit not yet commenced		Audit Queries Status: Audit not yet commenced. Accounts Progress: Draft accounts are expected to be ready by 30 September 2023	5%	Audit Queries Status: Audit not yet commenced.		25%			
				Draft Accounts Submission: TBC				Accounts Progress: Draft accounts for publication were expected to be ready by 30 September 2023 but are now anticipated to be ready in early October 2023 due to new audit queries received in August 2023 in relation to 2019/20.					
				Draft Accounts Submission: Expected to be produced by early/mid October 2023.				Draft Accounts Submission: Expected to be produced by early/mid October 2023.					

Appendix 1 – Statement of Accounts Progress for Years 2019/20, 2020/21, 2021/22 and 2022/23

Year	Accounts Publication		Ledger	As Previously Reported in July 2023			Actual position as at 31 August 2023				
	Original Audited Accounts publication date ¹	Current position		Progress	Status	production of draft accounts	Progress (%)	Progress	Status	production of draft accounts	Progress (%)
2022/23	30 September 2023	No draft yet produced <i>(was due 30 May 2023)</i>	Initial close of ledger complete, accounting entries to be processed in Autumn 2023	Audit Queries Status: Audit not yet commenced	0%	Audit Queries Status: Audit not yet commenced.	0%	Accounts Progress: Draft accounts are expected to be ready by mid-December 2023	Draft Accounts Submission: TBC	Draft Accounts Submission: Draft accounts are expected to be ready by mid-December 2023.	0%